

Demand increasing rates

Demand increasing rates, including declining block, business recruitment, fuel switching, all-electric, and security lighting rates, encourage additional energy consumption by discounting the price of electricity for certain customers or applications. The Commission was urged to consider in its analysis not only new rate structures, policies, and measures that might be adopted in North Carolina, but also the discontinuance of such demand increasing rates that are already in place that might inappropriately encourage increased consumption and peak demand.

The Commission recommends that utilities reconsider the appropriateness of declining block rates, particularly for residential customers. The Commission would caution, however, those that believe that inclining block rates offer a preferred solution for all customers by pointing out other effects that such rates might have. Inclining block rates may be effective at encouraging reduced energy usage for those that have the means to do so, but such rates also have the potential to drastically increase bills for those customers who cannot. Like many other rate structures discussed herein, inclining block rates, too, have the potential to result in increased per-unit electricity rates if they successfully reduce consumption. The Commission, therefore, encourages utilities to carefully consider the implications and potential impact on customers when designing increasing block rates.

Similarly, the Commission notes that some utilities have undertaken efforts to phase out all-electric rates and recommends that the remaining utilities also reconsider the appropriateness of continuing such rates. The Commission does not believe that other discounted rate schedules, such as business recruitment rates and fuel-switching rates, are necessarily inappropriate demand increasing rates. The Commission will continue to monitor the effectiveness of such rates in the future. With regard to security lighting, the Commission encourages utilities to continue to monitor improvements in lighting so that future installations use the most cost-effective energy efficient lighting technology available.

Customer-owned generation rates

Although many of the other rate schedules and structures considered in this analysis would affect both a customer's decision to implement conservation and energy efficiency and to install its own generation to offset purchases from the utility, costs incurred under standby rates and the availability of net metering directly impact those customers that either have installed, or are considering the installation of, their own generation.